

Reforming Florida's Tax System

Building a foundation for Florida's future

Why does Florida need tax reform?

- ◆ Florida has an antiquated tax system that was basically created in 1949.

The needs of modern Florida can not be met by a 1949 system.

Our state has modernized its Cabinet structure and its education, welfare, tort, and budget systems, but has not modernized its tax structure.

- ◆ The current system is not capable of meeting Florida's long-term budget needs.

Florida will face a revenue crisis in the very near future.

Between the loss of the inheritance tax and the increasing loss of revenue from remote sales (such as Internet sales), Florida will lose approximately \$4 billion in revenues by 2006.

The current sales tax is primarily a tax on goods, and goods are a shrinking portion of the economy.

In 1964, the Florida sales tax applied to approximately 68% of our economic activity – today the sales tax applies to only about 55%.

- ◆ The tax structure does not mirror Florida's current economy and it exaggerates economic fluctuations.

Next year, Florida will collect approximately \$17 billion in sales tax, but will exempt approximately \$23 billion in taxes.

The number of new exemptions has increased continually during the last three decades.

- ◆ The current tax system is not fair and is illogical.

Many current exemptions make no sense:

Hair care products are taxed; hair cuts are not.

Laundry detergent is taxed; dry cleaning is not.

Lawn mowers are taxed; lawn care is not.

The current tax system is not fair to average families. A broad array of exemptions protect special interests while the average Floridian pays a 6% sales tax on many household purchases.

What is the proposal to address these problems?

- ◆ To place a constitutional amendment before the voters during the 2002 election.
- ◆ To broaden the sales tax base by eliminating sales tax exemptions.
- ◆ To reduce the state sales tax rate from 6% to 4.5%.
- ◆ To keep revenues neutral during the first year of implementation.
- ◆ To require a 3/5's vote of the Legislature to increase the sales tax rate.
- ◆ To require a 3/5's vote of the Legislature to adopt any new sales tax exemptions.
- ◆ To promote fairness in the system by maintaining exemptions for groceries, residential rent, health care services and prescription drugs.
- ◆ To eliminate the health care assessment that drives up the cost of health care.

- ◆ To reduce the tax on commercial utilities to 4.5%.
- ◆ To require that the new system be in place by July 1, 2004.

What needs to be done and why now?

- ◆ We must bring Florida's tax structure into the 21st Century.
- ◆ We must provide the revenues to meet future needs in education, services for the elderly, transportation, and criminal justice.
- ◆ We must create a tax system that is equitable and efficient and that mirrors Florida's modern economy, not the economy of 1949.
- ◆ We must act now, not after a crisis has already hit.
- ◆ We must plan for the future and not just react to it.